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PAGE 01 STATE 162123
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY ARA/AND/E:JAALLITTO:MG
APPROVED BY ARA:FJMCNEIL
S/S-S: R.S.PACE
S/S-O:SGOLDSMITH
DESIRED DISTRIBUTION
USOAS

-----047494 270641Z /14

R 262011Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY QUITO
INFO AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY CARACAS
USMISSION GENEVA
AMCONSUL GUAYAQUIL
AMEMBASSY LIMA
USMISSION USUN NEW YORK

C O N F I D E N T I A L STATE 162123

EXDIS

E.O. 11652: GDS

TAGS:PBOR, PGOV, PINT, PARM, ETRD, SNAR, PLOS, EC, US, XM

SUBJECT: THE SECRETARY'S BILATERAL WITH ECUADOREAN
FOREIGN MINISTER

1. ON JUNE 23, THE SECRETARY MET WITH ECUADOREAN FOREIGN
MINISTER JOSE AYALA. ALSO PRESENT WERE ECUADOREAN
AMBASSADOR GUSTAVO YCAZA, DEPUTY ASSISTANT SECRETARY FRANK
MCNEIL, AND COUNTRY OFFICER TONY ALLITTO. THE FOLLOWING
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ISSUES WERE DISCUSSED.

2. ECUADOR-PERU BORDER DISPUTE

A. AYALA EXPLAINED THE DISPUTE FROM THE ECUADOREAN POINT
OF VIEW. HIS EMPHASIS WAS ON ECUADOR'S SPIRIT OF CON-
CILIATION WITH PERU DURING THE PAST 10 YEARS. HE ALSO

NOTED THAT THE PERUVIAN ARMY HAD APPARENTLY NOT SUPPORTED PERUVIAN FOREIGN MINISTER DE LA PUENTE LAST FALL, WHICH HAD CAUSED DE LA PUENTE TO DRAW BACK FROM PERUVIAN POSITIONS THAT HAD OFFERED HOPE FOR A MUTUALLY SATISFACTORY SOLUTION.

B. AYALA DID BRING GOOD NEWS, HOWEVER, WHICH WAS THAT HE HAD MET WITH DE LA PUENTE ON JUNE 21 (BASED ON AN INITIATIVE BY ARGENTINA'S FOREIGN MINISTER), AND THE TWO

AGREED TO ANNOUNCE PUBLICLY THEIR INTENTION TO REACH A SOLUTION, USING SOMETHING SIMILAR TO THE FORMULA THAT RENEWED THE ARGENTINA-CHILE TALKS. AYALA ALSO CLAIMED THAT DE LA PUENTE HAD ACCEPTED THAT ECUADOR'S DESIRE FOR SOVEREIGN TERRITORIAL ACCESS TO THE MARANON RIVER WOULD BE A BASIC ELEMENT OF THE TALKS.

C. THE SECRETARY CONGRATULATED AYALA, ENCOURAGED THAT APPROACH TO THE PROBLEM, AND STATED THAT IF ECUADOR AND PERU COULD ACHIEVE A MUTUALLY SATISFACTORY SOLUTION, THE USG WOULD BE GLAD TO CONSIDER REQUESTS FOR MULTILATERAL FINANCIAL SUPPORT FOR ECONOMIC DEVELOPMENT PROJECTS ALONG THE BORDER.

D. AYALA CONCLUDED BY STATING THAT THE POLITICAL CLIMATE IN SOUTH AMERICA WAS NOT RIGHT FOR A FINAL SOLUTION AT
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THIS TIME, WITH BOTH ECUADOR AND PERU IN THE MIDST OF CHANGING GOVERNMENTS. HE SAID THAT A SOLUTION WAS STILL YEARS OFF, BUT THAT HE WOULD WORK TO ESTABLISH A CLIMATE OF HARMONY IN WHICH A SOLUTION COULD BE FOUND IN THE FUTURE. THEN THE FIRST TASK IN THE TALKS WOULD BE TO REDUCE TENSIONS. HE NOTED, HOWEVER, THAT THE GEOPOLITICAL SITUATION HAD NOT REALLY CHANGED, CITING AS EXAMPLES THE BORDER DISPUTES OF ECUADOR-PERU, ARGENTINA-CHILE, AND BOLIVIA-CHILE-PERU. HE CONCLUDED BY STATING THAT PRESIDENT POVEDA HAD INSTRUCTED HIM TO TELL THE SECRETARY THAT ECUADOR VIEWED ITS BEST DEFENSE AS ONE IN WHICH ITS NEIGHBORS KNEW OF ECUADOR'S PEACEFUL NATURE, AND IN WHICH ITS PROBLEMS RECEIVED THE IMMEDIATE ATTENTION OF AMERICAN NATIONS SUCH AS THE U.S.

E. THE SECRETARY CONCLUDED BY STATING THAT AYALA SHOULD TELL POVEDA THAT THE U.S. WAS EXTREMELY INTERESTED IN SEEING A MUTUALLY SATISFACTORY SOLUTION OF THE BORDER DISPUTE.

3. RETURN TO CIVILIAN RULE

A. THE SECRETARY EXPRESSED THE ADMINISTRATION'S PLEASURE AT ECUADOR'S PROGRESS TOWARD CIVILIAN RULE, AND WISHED ECUADOR WELL WITH ITS JULY 16 PRESIDENTIAL AND LOCAL ELECTIONS. AYALA SAID THAT EVERYTHING WAS ON SCHEDULE, THERE WOULD UNDOUBTEDLY BE A RUNOFF BETWEEN THE TOP TWO VOTE GETTERS, AND THE NEW PRESIDENT WOULD BE INAUGURATED ABOUT DECEMBER. HE ALSO STATED THAT THE MILITARY'S DISQUALIFICATION OF FORMER MAYOR OF GUAYAQUIL ASAAD BUCARAM HAD BEEN A MISTAKE BY THE MILITARY, AND AN UNNECESSARY ONE. HE PREDICTED THAT SIXTO DURAN-BALLEN

WOULD COME IN FIRST ON JULY 16, BUT SHORT OF THE 51 PERCENT REQUIRED TO WIN. AYALA WOULD NOT PREDICT WHO WOULD COME IN SECOND, BUT DID SAY THAT IF RAUL CLEMENTE HUERTA CAME
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IN SECOND, HUERTA WOULD PROBABLY WIN THE SECOND ROUND, WHEREAS IF JAIME ROLDOS CAME IN SECOND, DURAN-BALLEN WOULD WIN THE SECOND ROUND.

B. THE SECRETARY SAID IT WAS HEARTENING TO SEE THIS PROCESS PROGRESSING SO WELL.

4. ARMS RESTRAINT

A. THE SECRETARY SAID THAT WE HOPE TO SEE THE EFFORT SUCCEED TO BREATHE LIFE INTO THE DECLARATION OF AYACUCHO, AND THAT THE PRESIDENT AND HE WERE BOTH INTERESTED IN SEEING LATIN AMERICA BECOME AN EXAMPLE TO THE WORLD OF HOW A REGION CAN EFFECTIVELY RESTRAIN CONVENTIONAL ARMS PURCHASES.

B. AYALA NOTED THAT THE FOREIGN MINISTERS OF THE COUNTRIES THAT HAD SIGNED THE DECLARATION OF AYACUCHO HAD ON JUNE 22 SIGNED A COMMUNIQUE RESULTING FROM THE VENEZUELAN INITIATIVE ON REGIONAL CONVENTIONAL ARMS RESTRAINT. AYALA HAD SECURED AGREEMENT TO INSERT A PARAGRAPH BECAUSE HE HAD FELT MORE NEEDED TO BE SAID. HE NOTED THAT THE ECUADOREAN DELEGATION TO THE SPECIAL SESSION ON DISARMAMENT (SSOD) WOULD BE INSTRUCTED TO PUSH FOR INCLUSION OF THAT PARAGRAPH IN THE SSOD'S FINAL DOCUMENT.

C. AYALA ALSO STATED THAT HE BELIEVED THAT THE VENEZUELAN EFFORT NEEDED TO BE EXPANDED TO INCLUDE OTHER LATIN COUNTRIES SUCH AS BRAZIL. ARGENTINA'S FOREIGN MINISTER HAD SAID THAT ARGENTINA WOULD DO NOTHING IF BRAZIL DID NOT JOIN. HE PLANNED TO PURSUE THIS POINT WITH THE BRAZILIAN FOREIGN MINISTER EITHER JUNE 23 OR THE FOLLOWING
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WEEK WHEN AYALA WOULD BE IN BRASILIA.- HE CONCLUDED BY STATING THAT ECUADOR WOULD ALSO PUSH FOR-A FOREIGN MINISTERS MEETING ON THIS SUBJECT ONCE THE ISSUE OF HOW MANY COUNTRIES SHOULD PARTICIPATE WAS RESOLVED.

D. THE SECRETARY ASKED IF BRAZIL WOULD JOIN. AYALA REPLIED THAT HE THOUGHT SO, ESPECIALLY IF THE INITIATIVE WAS LIMITED TO CONVENTIONAL ARMS, EXCLUDING THE NUCLEAR ISSUE. MCNEIL SAW NO PRACTICAL REASON WHY BRAZIL COULD NOT JOIN, AND THE SECRETARY AGREED.

5. THE TRADE ACT OF 1974

A. AYALA EXPRESSED ECUADOR'S FRUSTRATION AT THE ABSENCE OF MOVEMENT ON THE GSP EXCLUSION ISSUE, POINTING OUT ECUADOR'S EXPECTATIONS HAD BEEN RAISED AT THE BEGINNING OF OUR ADMINISTRATION. AYALA CONTINUED BY NOTING THAT 16 CONGRESSMEN HAD MET WITH ECUADOR'S MINISTER OF COMMERCE MONTANO IN MAY, AND HAD TOLD MONTANO THAT CONGRESS WAS READY AND WAITING FOR THE EXECUTIVE BRANCH TO PUSH THIS ISSUE.

B. THE SECRETARY REPLIED THAT THE CONGRESSMEN WERE RIGHT, THE EXECUTIVE BRANCH HAD NOT TAKEN ACTION YET, AND HE DID NOT WANT TO HIDE BEHIND AN EXCUSE OF BLAMING CONGRESS. HE CONTINUED BY EXPRESSING SYMPATHY WITH ECUADOR'S FRUSTRATION, BUT EXPLAINED THAT THIS WAS SIMPLY NOT THE TIME TO PUSH THIS ISSUE BECAUSE OF THE FACTORS INVOLVED, AND ECUADOR SHOULD TRY TO BE PATIENT A WHILE LONGER.

6. NARCOTICS CONTROL

THE SECRETARY THANKED ECUADOR FOR ITS COOPERATION TO DATE, BUT NOTED THAT BOTH COUNTRIES NEEDED TO WORK EVEN HARDER ON THIS PROBLEM, AND AYALA SAID THAT THERE WAS COINCIDENCE OF PRINCIPLE ON THIS ISSUE.

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7. LAW OF THE SEA CONFERENCE

A. THE SECRETARY ASKED FOR AYALA'S VIEWS ON THE CONFERENCE. AYALA STATED THAT HE WAS UNHAPPY WITH WHAT HE VIEWED AS A U.S. READINESS TO EXPLOIT UNILATERALLY THE RESOURCES OF THE SEA, AND BELIEVED THAT A CONFERENCE

COLLAPSE WOULD BE DISASTROUS. HE NOTED THAT OTHER PROBLEMS (E.G., HIGHLY MIGRATORY SPECIES, AND BASE LINES) HAD BEEN RELEGATED TO A POSITION OF SECONDARY IMPORTANCE BECAUSE OF WHAT APPEARED TO BE AN IMMINENT COLLAPSE OF THE CONFERENCE.

B. THE SECRETARY AGREED, AND SAID THAT THE USG WOULD MAKE AN EXTRA EFFORT TO TRY TO AVOID A CONFERENCE COLLAPSE, AND THAT HE PLANNED TO SPEAK WITH AMBASSADOR RICHARDSON NEXT WEEK.

8. NORTH-SOUTH ISSUES

A. THE SECRETARY SAID THAT PRESIDENT CARTER HAD DECIDED TO TRY TO BREATHE LIFE INTO THE MOST IMPORTANT NORTH-SOUTH ISSUES AT THE BONN SUMMIT THIS SUMMER.

HE HAD NOT YET DISCUSSED THIS WITH THE EUROPEANS BUT HE WANTED ECUADOR TO KNOW THAT THIS WAS THE CURRENT THINKING OF THE USG.

B. AYALA WAS PLEASED WITH THE NEWS NOTING THAT PROTECTIONISM WAS VERY WORRISOME TO ALL LATIN AMERICA. THE SECRETARY AGREED, STATING HIS HOPE THAT THE MULTILATERAL TRADE NEGOTIATIONS WOULD PRODUCE RESULTS. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINISTERIAL MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 jun 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE162123
Document Source: CORE
Document Unique ID: 00
Drafter: JAALLITTO:MG
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780265-0936
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780619/aaaaaqme.tel
Line Count: 248
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3fffd7f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2204019
Secure: OPEN
Status: NATIVE
Subject: THE SECRETARY'S BILATERAL WITH ECUADOREAN FOREIGN MINISTER
TAGS: PBOR, PGOV, PINT, PARM, ETRD, SNAR, PLOS, EC, US, XM
To: QUITO
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3fffd7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014